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ARTICLES:

(1) Economy under Obama administration: Japan, U.S. searching for new dialogue on trade; Beef imports an outstanding issue

MAINICHI (Page 11) (Excerpts)
January 22, 2009

With the launching of the administration of President Barack Obama, Japan-U.S. economic relations are likely to be pressed to change, as well. In his inaugural address on January 20, President Obama played up his stance to place high priority on international cooperation. How much Japan's trade policy can contribute to the structural reform of the global economy to, for instance, strike a balance between the environment and economic growth, will now be tested. Japan might also be pressed for greater efforts to expand domestic demand and to carry out policy coordination to bring stability to markets.

A study is underway between the Japanese government and the Obama administration to set up the framework of a new Japan-U.S. economic dialogue to discuss trade issues. That is because how well the two countries can cooperate is considered to be key to pursuing economic growth and the environment at the same time, addressing energy issues, and liberalizing trade and investment. The government intends to quickly establish a close cooperative system with the Obama administration, with the framework of the new dialogue as the leverage.

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In markets, there is concern that the Obama administration might resort to protectionism. Even so, a senior Foreign Ministry official predicted: "There will be no change to (the Obama administration's) cooperation-oriented basic stance." The government is watching closely how the new U.S. administration is going to rebuild the World Trade Organization (WTO) multilateral trade talks (Doha Round), which collapsed last year.

There is one outstanding issue between Japan and the United States: the question of easing requirements for U.S. beef imports, triggered by the discovery of a case of BSE. At present, only U.S. beef from cattle aged 20 months or younger is allowed into Japan. The Bush administration urged Japan to abolish the age limit on the strength of a decision by the World Organization for Animal Health (OIE). President Obama also made a statement supporting this policy in May 2008 (when he was a senator).

(2) Prime Minister Aso struggling for building honeymoon-like ties with new U.S. President Obama; Prime Minister's Office to increase staff members

ASAHI (Page 4) (Full)
January 21, 2009

Following the inauguration of the new U.S. administration of President Barack Obama backed by strong public support, Prime Minister Taro Aso aims to hold a meeting with President Obama in order to build a relationship of trust with him, prior to the upcoming G-20 financial summit. The Aso administration, which has suffered from its plummeting support rates in the polls, intends to boost its popularity by contributing to the global economy with its economic stimulus measures. However, assistance Japan can provide to Afghanistan is limited. We cannot help feeling that Japan's measures to prevent global warming have fallen behind those of European countries.

Unable to come up with idea of overcoming financial crisis

Referring to Hillary Clinton's testimony during a hearing at the Senate Foreign Relations Committee on Jan. 13, Aso stated yesterday:

"Secretary of State-designate Hillary Clinton clearly said: 'The

alliance with Japan is a cornerstone of U.S. policy toward Asia. I am looking forward to the (Obama) administration. I will make efforts to strengthen Japan-U.S. relations further."

Aso was confident in enhancing the alliance.

As if to match the inauguration of the Obama administration, the government appointed on Jan. 20 Shotaro Yachi as its representative (to engage in negotiations with other countries on important diplomatic issues). Yachi served as administrative vice foreign minister when Aso was foreign minister. "The appointment was aimed to increase reciprocal visits between the top leaders of the two countries," said a government official. Aso, who has communication channels to the Republican Party, is believed to have few personal connections to the Democratic Party. Aso's aides pin hopes on Yachi's diplomatic caliber.

In his policy speech delivered last September, Aso set the policy of

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attaching importance to relations with the United States, stressing differences with Democratic Party of Japan's (DPJ) President Ichiro Ozawa, who has advocated UN-centered diplomacy. Aso stated in his policy speech: "The DPJ has accountability for clarifying to the Japanese public and the world to which -- the U.S.-Japan alliance or the United Nations -- it gives priority.

The Obama administration has installed persons who have a detailed knowledge of Japan in key posts responsible for U.S. policy toward Japan, for example former Deputy Assistant Secretary of Defense Campbell, a Japan expert, as assistant secretary of state for East Asian and Pacific affairs. Aso has high expectations of the new U.S. government. He said:

"In Japan there are many people who have known Mr. Timothy Geithner (who is expected to assume the post of secretary of the treasury) since he worked at the U.S. Embassy in Tokyo. I think he is capable of financial management."

Yet, it is difficult for Aso to build honeymoon-like ties similar to the ones formed by then Prime Minister Koizumi and President Bush. Revitalizing the economy that Obama will immediately deal with is a pressing issue comparable to the war on terror the former Bush administration engaged in. Aso has focused on economic recovery, but there is no ideas for turning around the world economy.

Japan announced last year its policy of financing the International Monetary Fund (IMF) up to 10 trillion yen for emerging and developing countries from its foreign-currency reserves. Although Tokyo expressed its eagerness to become a driving force, it is now busy with coming up with measures to increase domestic jobs due to the sharp deterioration of the economy.

In the Prime Minister's Official Residence (Kantei), an aide to the prime minister said: "The financial crisis is no longer the biggest one for the United States; it is the possible collapse of the Big Three."

In an attempt to support Obama, some in the Kantei are talking about dreams such as that: "Is it possible for Toyota Motor to buy out General Motors?" "How about splitting the cost between Japan and the United States?" However, the possibility is uncertain.

Concerned about gaps in polity toward North Korea

"It is important for Japan to present what it can do before it is asked by the United States," said a senior Foreign Ministry official. Therefore, the Japanese government is hurriedly working on preparations for a first summit between the top leaders of Japan and the United States. The government intends to come up with comprehensive measures to stabilize Afghanistan, which Obama sees as important in the war on terror.

Nevertheless, it does not appear likely that the Self-Defense Forces (SDF) will be dispatched to Afghanistan, which needs a new law, due to the divided Diet. Since the government's budget for official

development assistance (ODA) has been on the decrease, it is difficult to come up with new financial aid.

The government, therefore, will wisely use for the time being the 5.5 billion dollars (approximately 50 billion yen) in aid that it has already announced. The second supplementary budget for fiscal

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2008 includes a total of 30.1 billion yen to be used as expenditures for the presidential election slated for the fall, nurturing police officers and anti-drug measures, as well as food aid, including support for agriculture. From next fiscal year, a total of 10 billion yen will be allocated for building infrastructure, such as schools and hospitals. The Japan International Cooperation Agency (JICA) has launched drafting a plan to rehabilitate Cable, the capital of Afghanistan.

For Japan, however, the North Korea issue is a top concern its security. There is a view that under the Obama administration, the pressure on the North to abandon its nuclear programs might be lightened. A senior Foreign Ministry official is concerned about Clinton's remarks during the hearing at the Senate, in which she revealed the intention of placing importance on nuclear nonproliferation of North Korea and Iran. The ministry official said: "Her remarks can be taken as that (North Korea) already is a nuclear power."

It is also unclear that to what extent Obama's interest in the abduction issue will rise.

In order to move head with the North Korea issue, the government gives weight to cooperation with the United States and South Korea. In his meeting on Jan. 12 with South Korean President Lee Myung Bak, Aso said:

"Following the inauguration of the new U.S. government, North Korea could try to divide the solidarity of Japan, South Korea and the United States. It is important for the three countries to closely cooperate."

Aso and Lee affirmed cooperation between Tokyo and Seoul.

The Japanese government expects to cooperate with the United States in promoting measures to prevent global warming. With the United Nations Climate Change Conference (COP15) in December in mind, the government is enthusiastic about playing a role in unison with the United States to press ahead with negotiations with China, a major emitter.

However, Obama, who favors creating an emission trading market in the U.S., has already come up with medium- and long-term goals to cut greenhouse gas emissions. His method is similar to those of European countries, which have implemented measures under the lead of their governments. There is a growing concern that the possibility of rapprochement between the United States and Europe is stronger than that between Japan and the United States.

(3) Obama's America -- hopes and trials: Shift to multilateralism; Time for Japanese diplomacy to stop following in U.S. footsteps

MAINICHI (Page 2) (Slightly abridged)
January 22, 2009

Katsumi Kawakami

In his inaugural address, President Barack Obama stated: "We will begin to responsibly leave Iraq to its people, and forge a hard-earned peace in Afghanistan." About six hours later, shortly before 9 o'clock on the morning of January 21, a senior Ministry of Foreign Affairs (MOFA) official grumbled: "Japan's assistance

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measures for Afghanistan must be clearly conveyed (to the United States)."

The ministry regards Japan's response to Afghanistan as a test for the alliance with the United States, so officials are rushing to come up with contribution measures centering on official development assistance (ODA) and civilian dispatch. As if to echo America's excitement for the new administration, Administrative Vice-Foreign Minister Mitoji Yabunaka, too, energetically said on the morning of Jan. 21: "The question is not how Japan responds to U.S. requests. Japan must pursue diplomacy in a way that allows it to make independent proposals and address (issues) jointly (with the United States)."

President Obama has shifted away from President Bush's unilateralism toward multilateralism. This provides a golden opportunity for Japan to stop blindly following in America's footsteps and rebuild the alliance with the United States to make it suitable for the new era. The view gaining ground in Tokyo is that is exactly what the United States wants of Japan.

Breaking out of the long practice of following in America's footsteps will not be easy, however.

Late last year, Deputy Chief Cabinet Secretary Jun Matsumoto received a message from the Obama transition team noting that the United States would join the International Renewable Energy Agency (IRENA) as an observer. IRENA is a new organization aiming to promote the use of wind power and other alternative energy sources. Led by Germany, some 40 countries are expected to join the body. Attended by approximately 100 countries, the founding conference for IRENA is scheduled to take place on Jan. 26 in Bonn.

Japan initially intended to forgo attending the conference partly because the former Bush administration had ignored IRENA.

Matsumoto asked the Foreign Ministry and the Economy, Trade and Industry Ministry: "The incoming U.S. administration will join (IRENA). Shouldn't Japan do so as well?" This led to the government's decision to dispatch MOFA Economic Affairs Bureau Deputy Director General Yasuo Tanabe and others, although Japan has opted to put off becoming a member of IRENA.

Japan has stressed its official development assistance program and other means to help Afghanistan because the chances are extremely slim at this point for the government to establish a new law sending SDF troops to that country. A government official indicated that the Aso administration's weak political base resulting from dwindling support ratings has reduced the scope of its diplomatic efforts.

In a press conference on Jan. 14, before his departure from post, U.S. Ambassador to Japan J. Thomas Schieffer offered this candid advice to Japan: "There has been a lot of negative debate about the role Japan can play in the world because of the domestic political situation that exists in Japan, but I am confident that Japan will figure out a way to overcome the political gridlock it now faces. I hope that Japan will not be shunted off into a corner in the international community in the meantime."

President Obama declared that the United States would face "a new era of responsibility." How will Japan fulfill its responsibility? Sending messages on its own could reshape Japan's alliance with the

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United States in the new era.

(4) METI ready to take joint steps with Obama administration, but remains cautious about protectionist pressure

ASAHI (Page 6) (Full)
January 22, 2009

How will economic relations between Japan and the U.S. change under the new administration of President Barack Obama, the first Democratic government in eight years? The two countries were at loggerheads over auto imports and other issues during the Clinton administration years in the 1990s, but there are no signs of such trade friction at present. Even so, concern about a possible growth

of protectionism in the U.S. will not go away, as the worldwide economic recession becomes more serious.

In a press conference on Jan. 19, Vice Minister Harufumi Mochizuki of the Ministry of Economy, Trade and Industry (METI) was optimistic about the future of Japan-U.S. relations, saying: "I do not think (conflict) will take place over trade issues between the two countries."

The U.S. Democratic Party, backed by labor unions, tends to adopt a trade policy that gives priority to protecting domestic industries. The Clinton administration, hinting that it would impose sanctions against goods imported from Japan, pressed Japan to open up its auto, insurance and other markets. As a result, bilateral trade conflict grew intense at the time.

But the economic environment for Japan and U.S. has significantly changed since then. Japanese automakers, including Toyota and Honda, have expanded production in the U.S., contributing to creating jobs there. The main cause of trade friction is now China, driven by its remarkable economic growth.

With no major pending economic issues between Japan and the U.S., the challenges facing President Obama, such as reviving the global economy by increased fiscal disbursements and strengthening the banking system, are also Japan's challenges. The government wishes to underscore a stance of cooperation between Japan and the U.S., using such occasions as meetings of the Group of Seven (G-7) finance ministers and central bank governors and the financial summit. A senior Finance Ministry official noted: "Japan and the U.S. share the view that unless the alliance is strengthened, they will not be able to overcome the economic crisis."

But President Obama made protectionist remarks during the election campaign, like one criticizing the North American Free Trade Agreement (NAFTA), which is aimed to promote trade liberalization between the U.S. and its neighbors. A senior METI official said: "If the job market gets worse, the administration might make protectionist moves."

Beef imports as source of trouble

Countries must work together to contain the ongoing global economic crisis.

According to an estimate by Nomura Financial and Economic Research Center, the economic stimulus package worth 775 billion dollars (about 70 trillion yen) set in motion by Obama will serve to push up

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Japan's gross domestic production (GDP) by about 2.2 PERCENT over the next two years. Chief Economist Kiuchi commented: "The outcome of the U.S. economic package will have a major impact on the Japanese economy."

Nippon Keidanren (the Japan Business Federation) Chairman Fujio Mitarai said in a press conference yesterday: "A recovery of the U.S. economy will give a chance for the global economy to get through the current critical situation. I expect the new administration to quickly take bold policy measures."

The new round of World Trade Organization (WTO) global trade talks (Doha Round) has been at a standstill since the U.S. and emerging countries failed to find common ground last year. A senior Foreign Ministry official said: "Various countries are carefully observing an approach to be taken by the U.S."

It is not true to say, though, that there is no source of trouble between Japan and the U.S. Japan has set a requirement of exporting only beef from cattle 20 months of age or younger as a BSE-prevention measure, and the U.S. has called on Japan to remove the requirement. There is a possibility that the Obama administration may ratchet up pressure on Japan in response to calls from livestock farmers.

(5) "Japan's political circles should be united," complains Nippon

Keidanren chairman

NIKKEI (Page 3) (Full)
January 22, 2009

"Japan should also become united." Meeting the press in Nagoya after hearing U.S. President Obama's inauguration address, Nippon Keidanren (Japan Business Federation) Chairman Fujio Mitarai on January 21 made that comment.

He pointed out that what impressed him is that after acknowledging a variety of values, President Obama called for solidarity, saying that America is one. He said with a wry smile, "I thought that the ruling and opposition parties should cooperate at times, instead of always confronting each other."

Concerning the Obama administration's economic policy, Mitarai first said, "It is most important for it to create jobs." Underscoring that in order for the global economy to climb out of the crisis, there must be an economic turnaround in the U.S., he called on the Obama administration to implement large-scale policy measures in a speedy manner.

(6) Government to propose at UN working group method for standardizing CO2 emissions measurement with aim of taking initiative in talks on sector-specific cuts

NIKKEI (Page 3) (Full)
January 22, 2009

The government plans to propose at a UN taskforce meeting to be held in Bonn starting late March methods for standardizing measurement of carbon dioxide (CO2) emissions and energy consumption by main industries. The common methods would be adopted by all countries. Japan deems it impossible to now make a fair comparison of CO2 emissions measured in various countries, since they adopt different

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methods, impeding discussions of CO2 emissions cuts.

Talks on an international framework (post Kyoto Protocol) for curbing greenhouse gas emissions to be adopted in fiscal 2013 will soon move into high gear. The government hopes to take the initiative at the talks by proposing specific measurement guidelines, which are essential in comparing the amount of CO2 emitted by each country. If a CO2 emissions measurement method is set in detail for each industry so that emissions by various countries can be compared fairly, it would become easier to tackle a sector-specific approach of expediting emissions cuts by industrial sector.

At present, the International Energy Agency (IEA) and other international industrial organizations have their own guidelines. However, their guidelines have not yet reached some developing countries. Data-collecting methods thus vary widely among countries. In order to make a fair comparison of country-specific CO2 emissions and energy consumption, it is essential to specify operation processes subject to measurement. The government has determined that it would be necessary to set up internationally acknowledged standards. Before making the proposal, the government will launch discussion at the International Organization for Standardization (ISO) possibly this spring. The outlook is that it will take about two years for the proposal to be acknowledged as international standards.

The government will first propose in cooperation with the Japan Iron and Steel Federation, guidelines for the steel sector, which estimatedly emits about 10 PERCENT of total CO2 emissions in the world. To be precise, a proposal most likely to be adopted is targeting the industry's manufacturing process from the blast furnace-related work of extracting pig iron from iron ore to the rolling work of processing iron into plates. Since some foreign countries are ahead in the division of labor, the government will propose a method of measuring energy consumption and CO2 emissions in each process. It intends to increase target areas to cover aluminum, cement and power industries -- all heavy CO2. emitters.

Japan takes the position that it is indispensable for emerging countries, such as China and India, which are currently not obligated to cut carbon emissions, to make a certain level of efforts for emissions cut under the post-Kyoto Protocol. If emerging countries are obliged to make such an effort, it would become easier to urge them to set goals for energy-saving, etc. However, whether Japan's proposal for CO2 emissions measurement system can be widely adopted by various countries is unclear. Some countries may stick to a measurement method that assesses their CO2 emissions at a level lower than the actual amount.

(7) TOP HEADLINES

Asahi:

Female students prone to avoiding exercise

Mainichi:

Government to specify eradication of amakudari practice in roadmap for reforming national public servant system

Yomiuri & Tokyo Shimbun:

Obama to instruct Defense Department to work out plan to withdraw troops from Iraq

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Nikkei:

SONY to consolidate domestic TV production to one factory, cutting over 2,000 regular workers

Sankei:

Obama speech underscores pragmatic policy approach more than "change"

Akahata:

Obama in speech vows to remake America

(8) EDITORIALS

Asahi:

- (1) World paying attention to Obama's diplomatic skills
- (2) China's Defense White Paper: Transparency needed

Mainichi:

- (1) U.S. sets out on journey to change world under President Obama

Yomiuri:

- (1) Obama's capability to be tested in reviving U.S.

Nikkei:

- (1) Obama should try to revitalize U.S. economy from broad perspective

Sankei:

- (1) Obama expected to revive strong America

Tokyo Shimbun:

- (1) Obama ushers in era of dialogue, emerging from era of division

Akahata:

- (1) How will Obama change America?

- (9) Prime Minister's schedule, January 21

NIKKEI (Page 2) (Full)

January 22, 2009

07:34

Took a walk around his official residence.

10:17

Attended the ceremony commemorating the 45th anniversary of the establishment of the law to protect the war injured and the 55th anniversary of the establishment of the Japanese Disabled Veterans Association, held at the Nippon Budokan on Kitanomaru Park.

11:05

Returned to his official residence.

12:49

Met at the Kantei LDP Policy Research Council Chairman Hori, his deputy Sonoda, Tax Commission sub-panel head Yanagisawa, mid-term program ruling bloc project team chair Nukaga, Chief Cabinet Secretary Kawamura, Finance Minister Nakagawa, and Economic and Fiscal Policy Minister Yosano. Hori, Yanagisawa, Nukaga and Yosano stayed on.

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14:50

Met LDP president special assistant Shimamura, joined in by public relations department chief Furuya.

15:54

Met National Public Safety Commission Chairman Sato.

16:25

Met Chuma, standing advisers Eto and Ota, and civic servant system reform committee deputy chairman Hayashi, followed by special envoy for Middle East peace Arima and Middle Eastern and African Affairs Bureau Director General Suzuki.

17:38

Met public relations officer Ogawa. Afterward, had a message recorded for a Japan International Broadcasting program, in the presence of JIB President Takashima and Ogawa.

19:18

Met at his official residence advisor Yamaguchi, Upper House member Asano and Lower House member Inoue.

(Corrected copy) Obama administration: Government wary of U.S. softening its stance toward North Korea; Hopes to hold summit meeting at early date

YOMIURI (Page 4) (Full)
January 22, 2009

The Obama administration was inaugurated on January 20 (21st Japan time). Both Japan and the U.S. are geared up to continue to maintain the present solid state of the alliance. However, there are a number of challenges facing the bilateral relationship.

Commenting on the inauguration ceremony of Barack Obama as the president of the United States, Foreign Minister Nakasone on the 21st told reporters: "An awesome number of people turned out. I would like both of our countries to tackle the many challenges to peace and stability of the world that we face."

President Obama has stressed that he will shift to multilateral cooperation, moving away from the Bush administration's unilateralism. However, some take the view that his basic approach to America's long-standing alliance ties with such countries as Japan would not change but basically continue, according to one Foreign Ministry official.

The Japanese government is paying close attention to the Obama administration's approach to problems that created friction and gulfs between the two countries during the Bush administration, despite its having been termed a "honeymoon-like relationship."

Regarding the issue of Japanese abducted by North Korea, according to a Japan specialist in the U.S. Democratic Party, "The new administration does not intend to repeat the mistake (the previous administration) made when it delisted North Korea as a state sponsor of terrorism, causing discord with Japan." There is a growing sense of alarm in Japan that President Obama, who attaches importance to dialogue, will soften Washington's stance toward Pyongyang.

The President plans to call on European countries and other U.S. allies to boost their troop presence in Afghanistan. If Japan

continues to avoid a dispatch of the Self-Defense Forces (SDF), Obama might ask Japan to assume a large financial burden, including funding troop presence in Afghanistan.

The prevailing view regarding the plan to realign U.S. forces in Japan that includes the relocation of the Futenma Air Station and the issue of reform of the UN Security Council that includes Japan's bid for a permanent seat is that the Obama administration will continue the previous administration's stances. In such cases, Japan's actions and ideas for finding a breakthrough would be needed.

Commenting on how Japan could make a good start in relations with the Obama administration, one U.S. government source pointed out: "Japan is expected to come up with specific proposals in such areas as dealing with climate change, which is Japan's strong point. In that case, the first bilateral summit meeting would be important."

Prime Minister Aso has expressed a desire for an early visit to the U.S. But with Diet deliberations on the second fiscal 2008 extra budget and the fiscal 2009 budget going on, a government source predicted that Aso's visit to the U.S. would likely be delayed until just prior to the financial summit on April 2.

ZUMWALT